

Message Text

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ACTION ARA-10

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FM AMEMBASSY PORT OF SPAIN
TO SECSTATE WASHDC 111
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E.O. 11652: N/A
TAGS: EFIN, EGEN, TD
SUBJECT: 1977 BUDGET SPEECH: HIGHLIGHTS

REF: PORT OF SPAIN 3270

1. PRIME MINISTER AND MINISTER OF FINANCE ERIC WILLIAMS
DELIVERED 1977 BUDGET SPEECH BEFORE PARLIAMENT
DECEMBER 10. NO MAJOR POLICY CHANGES WERE ANNOUNCED,
EMPHASIS BEING PLACED ON IMPROVED GOVERNMENT ADMINISTRATION
AND JOB-CREATING PUBLIC WORKS. ON THE FISCAL SIDE,
BUDGET IS CONSERVATIVE. IT IS BALANCED AND PROVIDES
SOME TAX RELIEF WITHOUT ANY FUNDAMENTAL RESTRUCTURING OF
TAX SYSTEM. FOLLOWING ARE KEY MEASURES ANNOUNCED:

2. CAPITAL INVESTMENTS. NO NEW DECISIONS ON CAPITAL
PROJECTS WERE FORTHCOMING, BUT SEVERAL STEPS ARE BEING
TAKEN TO STRENGTHEN AND RATIONALIZE THE INVESTMENT
PROCESS. THESE INCLUDE:

A. ESTABLISHMENT OF PLANNING AND DEVELOPMENT
UNITS WITHIN THE PUBLIC SECTOR AGENCIES TO IDENTIFY,
FORMULATE AND IMPLEMENT PROGRAMS AND PROJECTS, AND
DECENTRALIZATION OF RESPONSIBILITY FOR IMPLEMENTATION
FROM MINISTRY OF WORKS TO RELEVANT MINISTRY. NATIONAL
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ADVISORY COUNCIL WAS CHARGED WITH STUDYING ADVISABILITY

OF DEVELOPING A NEW, COMPREHENSIVE FIVE-YEAR DEVELOPMENT PLAN.

B. ESTABLISHMENT OF A PROJECT UNIT WITHIN THE MINISTRY OF FINANCE TO COORDINATE FINANCIAL PLANNING OF MAJOR CAPITAL PROJECTS AND NEGOTIATE DOMESTIC AND INTERNATIONAL LOANS AS DEEMED ADVISABLE.

C. ESTABLISHMENT OF A PRE-INVESTMENT FUND TO FINANCE FEASIBILITY STUDIES AND PRELIMINARY DESIGNS OF PROJECTS.

D. CONSIDERATION OF A POSSIBLE SYNDICATED EURO-CURRENCY LOAN FOR THE PURPOSE OF ESTABLISHING THE CREDIT STANDING OF THE GOTT. IN ANNOUNCING THIS PROPOSAL, WILLIAMS ACKNOWLEDGED THAT THE GOTT MAY BE REQUIRED TO BACK INDIRECTLY LOANS FOR PROJECTS LIKE THE IRON AND STEEL COMPLEX.

3. PUBLIC SERVICES. WILLIAMS LAID HEAVY EMPHASIS ON NEED TO IMPROVE SERVICES AND ON ACCOUNTABILITY FOR SAME. AN IMAGINATIVE STEP IN THIS DIRECTION WAS THE APPOINTMENT OF A U.S. FIRM (EDUCATIONAL INNOVATION SYSTEMS, INC.) AS CONSULTANT TO ORGANIZE AND MANAGE THE MAINTENANCE OF NINE NEW COMPREHENSIVE HIGH SCHOOLS AND TRAINING OF LOCAL PERSONNEL TO ASSUME THIS FUNCTION OVER A THREE-YEAR PERIOD, WHICH MAY SERVE AS EXAMPLE FOR OTHER PUBLIC SERVICES.

4. GOVERNMENT PARTICIPATION IN INDUSTRY. WILLIAMS SAID THAT IN 1977 GOVERNMENT WOULD CONCENTRATE ON MEETING FINANCIAL NEEDS OF EXISTING ENTERPRISES UNDER GOVERNMENT CONTROL, ALTHOUGH IT WOULD MONITOR FINANCIAL HEALTH OF SOME FALTERING PRIVATE INDUSTRIES. NO MENTION WAS MADE OF REPORTS THAT GOTT MIGHT ACQUIRE TEXACO'S RETAIL OPERATIONS. POLICY OF DIVESTITURE OF SHARES IN GOVERNMENT ENTERPRISES WAS REITERATED AND FIRST DIVESTITURES WERE ANNOUNCED: SHARES IN TRINIDAD HILTON AND FERTILIZER BLENDING PLANT TO PUBLIC AND CARONI LTD. TO SUGAR WORKERS AND CANEFARMERS. INSURANCE INDUSTRY WAS SINGLED OUT AS SECTOR WHERE INCREASED LOCAL PARTICIPATION, INCLUDING DECISION-MAKING AND PROVISION WITHIN COUNTRY OF SERVICES NOW BEING PERFORMED ABROAD, WAS LIMITED OFFICIAL USE

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NEEDED, BUT NO SPECIFIC NEW DIRECTIVES WERE ANNOUNCED OTHER THAN INTENTION TO ESTABLISH LOCAL REINSURANCE COMPANY.

5. OIL PRICING. WILLIAMS WAS AMBIVALENT ON OIL PRICE ISSUE. WHILE CRITICAL OF "SUBTLE THREATS AND DISGUISED APPEALS" TO OPEC TO EXERCISE RESTRAINT AND DEFENDING OPEC MEMBERS' NEED TO MAINTAIN OIL INCOME

TO SUPPORT DEVELOPMENT, HE ALSO ACKNOWLEDGED DISRUPTION PRICE INCREASED CAUSE TO INDUSTRIAL AS WELL AS NON OIL PRODUCING LDCS AND ASSERTED GOT IT INTENT NOT TO GET CAUGHT UP IN THIS ARGUMENT.

6. EMPLOYMENT. A NUMBER OF PROJECTS WERE ANNOUNCED WHICH ARE OBVIOUSLY INTENDED AT LEAST IN PART TO DEAL WITH PRESSING UNEMPLOYMENT PROBLEM. THESE INCLUDE:

- A. CONSTRUCTION OF NEW GOVERNMENT OFFICE FACILITIES, TO BE FINANCED OUT OF INVESTABLE SURPLUS OF NATIONAL INSURANCE BOARD (I.E. SOCIAL SECURITY AGENCY);
- B. ESTABLISHMENT OF NATIONAL PARK AT CHAGUARAMAS TO INCLUDE CONSTRUCTION OF RECREATIONAL FACILITIES;
- C. CONSTRUCTION OF BUS AND TRUCK CORRIDORS ON RAILWAY BEDS PARALLELLING MAJOR HIGHWAYS;
- D. EXPANSION OF SOFT LOAN FACILITY FOR LOW INCOME HOUSING; AND
- E. EXPANSION OF APPRENTICESHIP PROGRAM FOR O-LEVEL (SECONDARY SCHOOL) GRADUATES.

7. TAXES. PURCHASE TAXES OF 7.5 PERCENT OR LESS WERE REMOVED, AND TAXES ON OTHER ITEMS WERE REDUCED. INDIVIDUAL INCOME TAX RATES WERE SIMPLIFIED AND REDUCED AT LOWER END. FOR EXAMPLE, AVERAGE RATE PAYABLE ON TT\$ 12,000 TAXABLE INCOME WAS REDUCED FROM 25 PERCENT TO 17.5 PERCENT OF INCOME.

8. REVENUES EXPECTED TO TOTAL TT\$ 2,431.4 MILLION (ABOUT US\$ 1 BILLION), EQUAL TO EXPENDITURES. LATTER INCLUDE \$ 1.166.5 MILLION FOR RECURRENT EXPENDITURE, \$376 MILLION FOR DEVELOPMENT PROGRAM, AND \$888.9 LIMITED OFFICIAL USE

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MILLION TO GO TO SPECIAL FUNDS FOR LONG-TERM PROJECTS (THESE ARE OIL REVENUES INVESTED ABROAD PENDING DISBURSEMENT, FISCAL IMPACT OF WHICH IS NEUTRAL). THIS CONSTITUTES AN INCREASE IN TOTAL EXPENDITURE OF 20 PERCENT ABOVE 1976 LEVEL OF \$2,024.1 MILLION, BUT ONLY 2.5 PERCENT EXCLUDING SPECIAL FUNDS.

9. COMMENT: SPEECH WAS AS INTERESTING FOR WHAT IT DID NOT SAY AS FOR WHAT IT DID. LISTENERS HOPING FOR CLARIFICATION OF GOVERNMENT'S INTENTIONS ON MAJOR INDUSTRIAL PROJECTS HEARD NONE. ADVOCATES OF TAX INCENTIVES TO STIMULATE PRIVATE ENTERPRISE WERE ALSO DISAPPOINTED, ALTHOUGH STUDY OF CORPORATE INCOME TAX STRUCTURE CONTINUES. NEVERTHELESS, PRIME MINISTER DID TAKE COGNIZANCE OF SOME PUBLIC FRUSTRATIONS

BY ATTACKING LABOR FOR DISRUPTIVE STRIKES, BRACING UP
THE NEED FOR GREATER ACCOUNTABILITY FOR INEFFICIENT
GOVERNMENT, AND COMING TO GRIPS WITH OTHER EMBARRASS-
MENTS SUCH AS UNSAFE BUSSES AND THE TAX-FREE STATUS
OF POOL HALLS. OVERALL, WE JUDGE THE SPEECH AS
POSITIVE FROM A POLITICAL POINT OF VIEW WITHOUT ANY
SIGNIFICANT CHANGE IN ECONOMIC STRATEGY.
FAY

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